

Message Text

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PAGE 01 STATE 025990
ORIGIN EB-08

INFO OCT-01 EUR-12 ISO-00 AGRE-00 CEA-01 CIAE-00
COME-00 DODE-00 FRB-03 H-01 INR-07 INT-05 L-03
LAB-04 NSAE-00 NSC-05 PA-01 CTME-00 AID-05 SS-15
STR-07 ITC-01 TRSE-00 USIA-06 PRS-01 SP-02 SOE-02
OMB-01 DOE-11 /102 R

DRAFTED BY EB/OT/STA:CHBLUM:JVM
APPROVED BY EB:J KATZ
LABOR:JPAPOVICH
COMMERCE:FABBUHL
STR:RHEIMLICH
TREASURY:JRAY
EUR/RPE:ECASEY
E:RCOOPER
EB/ITP:WGBARRACLOUGH
EB/OT/STA:J S SPIRO

-----111787 010647Z /10

P 010207Z FEB 78
FM SECSTATE WASHDC
TO AMEMBASSY BRUSSELS PRIORITY

C O N F I D E N T I A L STATE 025990

USEEC

E.O. 11652: GDS

TAGS: ETRD, EEC

SUBJECT: EC STEEL IMPORT PROPOSALS

1. REQUEST YOU DELIVER TO DAVIGNON ASAP FOLLOWING NOTE.
2. BEGIN TEXT:

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(COMPLIMENTARY OPENING) TO REFER TO THE CONSULTATIONS ON
THE STEEL SITUATION HELD IN BRUSSELS JANUARY 11-12 BETWEEN
THE UNITED STATES AND THE EUROPEAN COMMUNITY. THESE
CONSULTATIONS CONTRIBUTED TO A CLEARER UNDERSTANDING OF
THE COMMISSION'S CURRENT PROPOSALS FOR DEALING WITH THE
STEEL SITUATION IN THE COMMUNITY. HAVING REFLECTED ON
THESE CONSULTATIONS, THE UNITED STATES WISHES TO REITERATE

AND ELABORATE FURTHER ON THE VIEWS IT EXPRESSED AT THAT TIME.

A MAJOR CONCERN OF THE UNITED STATES IS THE IMPACT THE COMMUNITY'S PROPOSALS MAY HAVE ON THE UNITED STATES' OWN STEEL PROGRAM. THE UNITED STATES BELIEVES IT HAS DEvised IN THE TRIGGER PRICE MECHANISM A WORKABLE ALTERNATIVE TO MEASURES WHICH WOULD SHARPLY RESTRICT STEEL IMPORTS; IT IS FULLY CONSISTENT WITH INTERNATIONAL RULES. MORE STRINGENT MEASURES IN ANY MAJOR MARKET GENERATE PRESSURES IN ALL FOR MORE RESTRICTIVE PROGRAMS THAT MAY OVERSTEP THESE RULES.

THE UNITED STATES HAS A KEEN APPRECIATION OF THE POLITICAL AND SOCIAL RAMIFICATIONS OF DEALING WITH THE ECONOMIC PROBLEMS OF SUCH A KEY INDUSTRIAL SECTOR AS STEEL. THE UNITED STATES ALSO RECOGNIZES THAT, WHEN SUCH A LARGE AND IMPORTANT INDUSTRY REQUIRES A MAJOR ADJUSTMENT IN ITS EMPLOYMENT OF HUMAN AND CAPITAL RESOURCES, THERE IS A HEIGHTENED NEED TO PROVIDE PROMPT AND EFFECTIVE RELIEF FROM UNFAIR IMPORT COMPETITION.

THE UNITED STATES IS DEEPLY CONCERNED, HOWEVER, BY THE PROLIFERATION OF BILATERAL AGREEMENTS BETWEEN EXPORTING AND IMPORTING COUNTRIES, PARTICULARLY WHEN THEY INCLUDE RESTRICTIONS ON QUANTITY AND PRICE, THEREBY MOVING IN THE CONFIDENTIAL

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DIRECTION OF CARTELIZATION. THE UNITED STATES IS CONVINCED THAT, FAR FROM PROVIDING A SOLUTION TO EVEN THE SHORT-TERM DIFFICULTIES OF THE STEEL INDUSTRY, INCREASED CARTELIZATION WOULD ONLY EXACERBATE THE LONGER-TERM PROBLEM OF RATIONAL RESOURCE ALLOCATION IN THE INDUSTRY. MOREOVER, CARTELIZATION OF A MAJOR STEEL MARKET MIGHT ADD SIGNIFICANTLY TO PROTECTIONIST PRESSURE THROUGHOUT THE WORLD, IN STEEL AND OTHER SECTORS. THIS WOULD HAVE SERIOUS ADVERSE IMPLICATIONS FOR OUR MUTUAL EFFORTS TO MAINTAIN AN OPEN INTERNATIONAL TRADING SYSTEM.

THE UNITED STATES THEREFORE SEES GREAT MERIT IN LIMITING IMPORT MEASURES TO THOSE TAKEN IN ACCORDANCE WITH ESTABLISHED INTERNATIONAL PRINCIPLES, RULES, NORMS AND UNDERSTANDINGS. THE UNITED STATES RECALLS IN PARTICULAR THE CONSENSUS REACHED AT THE NOVEMBER 30, 1977, MEETING OF THE OECD AD HOC STEEL GROUP THAT QUANTITATIVE RESTRICTIONS OFFER NO SOLUTION TO THE FUNDAMENTAL PROBLEMS OF THE INDUSTRY AND THAT SPECIAL ATTENTION MUST BE GIVEN TO PRICE.

THE UNITED STATES BELIEVES THAT A BASE PRICE SYSTEM,

DESIGNED AND ADMINISTERED IN ACCORDANCE WITH THE INTERNATIONAL ANTIDUMPING CODE, WOULD BE A LEGITIMATE AND EFFECTIVE MEANS OF ELIMINATING THE DEPRESSIVE EFFECT OF DUMPED IMPORTS ON DOMESTIC PRICE AND EMPLOYMENT LEVELS. IT HAS BEEN THE EXPERIENCE OF THE UNITED STATES THAT THE MERE EXISTENCE OF AN EFFECTIVE ANTIDUMPING MECHANISM CAN DETER SALES AT LESS THAN FAIR VALUE AND REDUCE GREATLY THE PRESSURE ON DOMESTIC PRICES. A BASE PRICE SYSTEM MIGHT, THEREFORE, PROVIDE SUFFICIENT IMPORT RELIEF TO THE COMMUNITY'S STEEL INDUSTRY AND THE UNITED STATES URGES THE COMMUNITY TO GIVE ITS BASE PRICE SYSTEM ADEQUATE TIME TO PROVE ITS EFFECTIVENESS.

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IF, AFTER GIVING ITS BASE PRICE SYSTEM A CHANCE TO ELIMINATE THE ADVERSE EFFECTS OF DUMPING, THE COMMUNITY FELT COMPELLED TO TAKE ANY FURTHER MEASURES ON STEEL IMPORTS, THE UNITED STATES WOULD URGE THAT THEY BE CONSISTENT WITH ESTABLISHED INTERNATIONAL STANDARDS. THE UNITED STATES BELIEVES THERE EXIST ONE OR MORE ALTERNATIVE APPROACHES THAT COULD BE AS EFFECTIVE AS THE PROPOSED BILATERAL AGREEMENTS AND SUPERIOR TO THEM IN INTERNATIONAL ACCEPTABILITY.

THE UNITED STATES APPRECIATES THE COMMUNITY'S CONSIDERATION OF THESE VIEWS AND LOOKS FORWARD TO THE OPPORTUNITY TO DISCUSS FURTHER THE COMMUNITY'S PROPOSED IMPORT PROGRAM AT THE UPCOMING MEETING OF THE AD HOC STEEL GROUP.

(COMPLIMENTARY CLOSE)

END TEXT. VANCE

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ORIGIN STR-07

INFO OCT-01 EA-10 ISO-00 STRE-00 SSO-00 /018 R

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DRAFTED BY:STR:EJLAPP

APPHTVED BY:STR:EJLAPP

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FM SECSTATE WASHDC

TO AMEMBASSY KUALA LUMPUR IMMEDIATE

C O N F I D E N T I A L STATE 025990

PASS AMBASSADOR WOLFF

FOL STATE 025990 SENT ACTION BRUSSELS FEB 1, 1978 REPEATED

TO YOU QUOTE

C O N F I D E N T I A L STATE 025990

USEEC

E.O. 11652: GDS

TAGS: ETRDVN EEC

SUBJECT: EC KTEEL IMPORT PROPOSALS

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(COMPLIMENTARY CHOICE)

END TEXT. VANCE UNQUOTE VANCE

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: STEEL, IMPORTS, DIPLOMATIC COMMUNICATIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 01 feb 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978STATE025990
Document Source: CORE
Document Unique ID: 00
Drafter: CHBLUM:JVM
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D780047-0796
Format: TEL
From: STATE
Handling Restrictions: n/a
Image Path:
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Legacy Key: link1978/newtext/t197802106/aaaadliy.tel
Line Count: 305
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: c08d6dcd-c288-dd11-92da-001cc4696bcc
Office: ORIGIN EB
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 6
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 17 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3440960
Secure: OPEN
Status: NATIVE
Subject: EC STEEL IMPORT PROPOSALS
TAGS: ETRD, EEC
To: BRUSSELS USEEC
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/c08d6dcd-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014